CIMAREX ENERGY CO
Form POSASR
October 21, 2009

As filed with the United States Securities and Exchange Commission on October 21, 2009

Registration No. 333-162051

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Post-Effective Amendment No. 1
to

FORM S-3

Registration Statement Under the Securities Act of 1933

CIMAREX ENERGY CO. *

(Exact name of registrant as specified in its charter)

Delaware	**45-0466694**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1700 Lincoln Street, Suite 1800
Denver, Colorado 80203-4518
(303) 295-3995

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Paul Korus
Cimarex Energy Co.
1700 Lincoln Street, Suite 1800
Denver, Colorado 80203-4518
(303) 295-3995
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Martha D. Rehm	**Thomas A. Richardson**
Holme Roberts & Owen LLP	**Cimarex Energy Co.**
1700 Lincoln Street, Suite 4100	**1700 Lincoln Street, Suite 1800**
Denver, Colorado 80203	**Denver, Colorado 80203-4518**
(303) 861-7000	**(303) 295-3995**

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

* Includes certain subsidiaries of Cimarex Energy Co. identified on the following page, which may be guarantors of some or all of the debt securities registered hereunder and, as such, have been listed as co-registrants for the purpose of providing guarantees, if any.

TABLE OF ADDITIONAL REGISTRANT GUARANTORS

Exact Name of Registrant Guarantor as Specified in its Charter (1)	**State or Other Jurisdiction of Incorporation or Organization**	**I.R.S. Employer Identification Number**
Brock Gas Systems & Equipment, Inc.	Texas	84-1438790
Cimarex Energy Co. of Colorado	Texas	75-1074365
ConMag Energy Corporation	Texas	20-8596953
Hunter Gas Gathering, Inc.	Texas	73-1222501
Key Production Company, Inc.	Delaware	84-1089744
Magnum Hunter Production, Inc.	Texas	75-2589131
Oklahoma Gas Processing, Inc.	Delaware	73-1566476
PEC (Delaware), Inc.	Delaware	73-1567808
Pintail Energy, Inc.	Delaware	01-0615093
Prize Energy Resources, L.P.	Delaware	73-1565425
Prize Operating Company	Delaware	73-1565426

(1) The address for each registrant guarantor is 1700 Lincoln Street, Suite 1800, Denver, Colorado 80203-4518, telephone (303) 295-3995.

Explanatory Note

This post-effective amendment to the Registration Statement on Form S-3 (Registration No. 333-162051) of Cimarex Energy Co. (the Registration Statement) is being filed for the purposes of (i) adding the following companies as co-registrants:

Brock Gas Systems & Equipment, Inc., a Texas corporation;

Cimarex Energy Co. of Colorado, a Texas corporation;

ConMag Energy Corporation, a Texas corporation;

Hunter Gas Gathering, Inc., a Texas corporation;

Key Production Company, Inc., a Delaware corporation;

Magnum Hunter Production, Inc., a Texas corporation;

Oklahoma Gas Processing, Inc., a Delaware corporation;

PEC (Delaware), Inc., a Delaware corporation;

Pintail Energy, Inc., a Delaware corporation;

Prize Energy Resources, L.P., a Delaware limited partnership; and

Prize Operating Company, a Delaware corporation;

and (ii) filing an additional exhibit to the Registration Statement. The co-registrants are subsidiaries of Cimarex Energy Co. and may potentially be guarantors of some or all of the debt securities with respect to which offers and sales are registered under this Registration Statement. No changes or additions are being made hereby to the base prospectus that already forms a part of the Registration Statement. Accordingly, such base prospectus is being omitted from this filing.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 16. Exhibits

The following documents are filed as exhibits to this Registration Statement:

Exhibit No.	Description
1.1	Form of Underwriting Agreement.*
4.1	Amended and Restated Certificate of Incorporation of Cimarex Energy Co. (filed as Exhibit 3.1 to Registrant s Form 8-K (file no. 001-31446) dated June 7, 2005, and incorporated herein by reference).
4.2	Amended and Restated By-laws of Cimarex Energy Co. (filed as Exhibit 3.1 to the Registrant s Current Report on Form 8-K dated September 20, 2007 and incorporated herein by reference).
4.3	Specimen Certificate of Cimarex Energy Co. common stock (filed as Exhibit 4.1 to Amendment No. 1 to Registration Statement on Form S-4 dated July 2, 2002 (Registration No. 333-87948) and incorporated herein by reference).
4.4	Rights Agreement, dated as of February 23, 2002, by and between Cimarex Energy Co. and UMB Bank, N.A. (filed as Exhibit 4.2 to the Registrant s Registration Statement on Form S-4 (Registration No. 333-87948) dated May 9, 2002, and incorporated herein by reference).
4.5	Form of Certificate of Designation.*
4.6	Form of Indenture by and among Cimarex Energy Co. and U.S. Bank National Association, as trustee.***
4.7	Form of Debt Security.*
4.8	Form of Warrant Agreement.*
4.9	Form of Warrant Certificate.*
5.1	Opinion of Holme Roberts & Owen LLP relating to the validity of the securities being registered.***
12.1	Computation of ratio of earnings to fixed charges.***
23.1	Consent of KPMG LLP.***
23.2	Consent of Holme Roberts & Owen LLP (included in Exhibit 5.1).***
23.3	Consent of DeGolyer and MacNaughton.***
24.1	Powers of Attorney for Cimarex Energy Co.***
24.2	Powers of Attorney for Co-Registrants**
25.1	Form T-1 Statement of Eligibility of Trustee.***

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* To be filed, if necessary, by amendment or as an exhibit to a Current Report on Form 8-K and incorporated by reference herein.

** Filed herewith.

*** Previously filed.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement on Form S-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Denver and State of Colorado, on October 20, 2009.

CIMAREX ENERGY CO.

By: /s/ Paul Korus
Paul Korus
Vice President, Chief Financial Officer and Treasurer

Pursuant to the requirements of this Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* F.H. Merelli	Director, Chairman, President and Chief Executive Officer (Principal Executive Officer)	October 20, 2009
/s/ Paul Korus Paul Korus	Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	October 20, 2009
* James H. Shonsey	Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	October 20, 2009
* Jerry Box	Director	October 20, 2009
* Hans Helmerich	Director	October 20, 2009
* David A. Hentschel	Director	October 20, 2009
* Paul D. Holleman	Director	October 20, 2009
* Harold R. Logan, Jr.	Director	October 20, 2009

Signature	Title	Date
* Monroe W. Robertson	Director	October 20, 2009
* Michael J. Sullivan	Director	October 20, 2009
* L. Paul Teague	Director	October 20, 2009

*By: /s/ Paul Korus
Paul Korus, attorney-in-fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, each of the undersigned additional registrant guarantors certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement on Form S-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Denver and State of Colorado, on October 20, 2009.

BROCK GAS SYSTEMS & EQUIPMENT, INC.
CIMAREX ENERGY CO. OF COLORADO
CONMAG ENERGY CORPORATION
HUNTER GAS GATHERING, INC.
KEY PRODUCTION COMPANY, INC.
MAGNUM HUNTER PRODUCTION, INC.
OKLAHOMA GAS PROCESSING, INC.
PEC (DELAWARE), INC.
PINTAIL ENERGY, INC.
PRIZE OPERATING COMPANY

$	3,716		$7,244	$12,537	$19,674
Basic weighted average shares outstanding	17,117		19,131	17,151	19,138
Diluted weighted average shares outstanding	17,272		19,391	17,313	19,409
Per common share data:					
Basic earnings per share	$	0.22	$ 0.38	$ 0.73	$ 1.03
Diluted earnings per share	$	0.22	$ 0.37	$ 0.72	$ 1.01

See accompanying notes to condensed consolidated financial statements.

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GP STRATEGIES CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$3,716	$7,244	$12,537	$19,674
Foreign currency translation adjustments	(2,696)	(3,674)	(3,794)	(2,446)
Comprehensive income	$1,020	$3,570	$8,743	$17,228

See accompanying notes to condensed consolidated financial statements.

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GP STRATEGIES CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2015 and 2014
(Unaudited, in thousands)

	2015	2014
Cash flows from operating activities:		
Net income	$12,537	$19,674
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on change in fair value of contingent consideration, net	314	(1,513)
Depreciation and amortization	6,014	7,477
Deferred income taxes	—	366
Non-cash compensation expense	4,473	3,510
Changes in other operating items:		
Accounts and other receivables	(1,418)	6,164
Costs and estimated earnings in excess of billings on uncompleted contracts	(9,914)	(15,937)
Prepaid expenses and other current assets	220	(2,725)
Accounts payable and accrued expenses	5,275	6,129
Billings in excess of costs and estimated earnings on uncompleted contracts	(6,695)	(3,778)
Income tax benefit of stock-based compensation	(435)	(1,539)
Contingent consideration payments in excess of fair value on acquisition date	(325)	(1,043)
Other	(518)	(121)
Net cash provided by operating activities	9,528	16,664
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,831)	(2,315)
Acquisitions, net of cash acquired	—	(8,666)
Other investing activities	85	246
Net cash used in investing activities	(1,746)	(10,735)
Cash flows from financing activities:		
Proceeds from short-term borrowings	12,108	4,473
Repayment of long-term debt	(10,000)	—
Contingent consideration payments	(2,284)	(977)
Change in negative cash book balance	(1,865)	(2,576)
Tax withholding payments for employee stock-based compensation in exchange for shares surrendered	(650)	(1,978)
Income tax benefit of stock-based compensation	435	1,539
Repurchases of common stock in the open market	(6,535)	(3,051)
Proceeds from stock option exercises	115	81
Other financing activities	(10)	(4)
Net cash used in financing activities	(8,686)	(2,493)
Effect of exchange rate changes on cash and cash equivalents	(6)	35
Net decrease in cash and cash equivalents	(910)	3,471
Cash and cash equivalents at beginning of period	14,541	5,647
Cash and cash equivalents at end of period	$13,631	$9,118
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	$5,655	$14,502

See accompanying notes to condensed consolidated financial statements.

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GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

(1) Basis of Presentation

GP Strategies Corporation is a global performance improvement solutions provider of training, e-Learning solutions, management consulting and engineering services. References in this report to “GP Strategies,” the “Company,” “we” and “our” are to GP Strategies Corporation and its subsidiaries, collectively.

The accompanying condensed consolidated balance sheet as of September 30, 2015 and the condensed consolidated statements of operations, comprehensive income and cash flows for the nine months ended September 30, 2015 and 2014 have not been audited, but have been prepared in conformity with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014, as presented in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014. In the opinion of management, this interim information includes all material adjustments, which are of a normal and recurring nature, necessary for a fair presentation. The results for the 2015 interim period are not necessarily indicative of results to be expected for the entire year. Certain prior year amounts have been reclassified to conform to current year presentation.

The condensed consolidated financial statements include the operations of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

(2) Accounting Standard Issued

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-9 was originally effective for annual reporting periods, and interim periods within that period, beginning after December 15, 2016 and early adoption was not permitted. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-9. We are still in the process of evaluating the impact of adoption of this ASU on our consolidated financial statements.

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

(3) Significant Customers & Concentration of Credit Risk

We have a market concentration of revenue in both the automotive sector and financial services & insurance sector. Revenue from the automotive industry accounted for approximately 18% and 14% of our consolidated revenue for the nine months ended September 30, 2015 and 2014, respectively. In addition, we have a concentration of revenue from a single automotive customer, which accounted for approximately 12% of our consolidated revenue for the nine months ended September 30, 2015. As of September 30, 2015, accounts receivable from a single automotive customer totaled $9.7 million, or 10%, of our consolidated accounts receivable balance.

Revenue from the financial services & insurance industry accounted for approximately 21% and 16% of our consolidated revenue for the nine months ended September 30, 2015 and 2014, respectively. Beginning in 2015, we have a concentration of revenue from a single financial services customer, which accounted for approximately 14% of our consolidated revenue for the nine months ended September 30, 2015. As of September 30, 2015, billed and unbilled accounts receivable from a single financial services customer totaled $35.8 million, or 26%, of our consolidated accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts balances.

No other single customer accounted for more than 10% of our consolidated revenue for the nine months ended September 30, 2015 and 2014 or consolidated accounts receivable balance as of September 30, 2015.

(4) Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution of common stock equivalent shares that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Our dilutive common stock equivalent shares consist of stock options and restricted stock units computed under the treasury stock method, using the average market price during the period. The following table presents instruments which were not dilutive and were excluded from the computation of diluted EPS in each period, as well as the dilutive common stock equivalent shares which were included in the computation of diluted EPS:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Non-dilutive instruments	29	—	20	—
Dilutive common stock equivalents	155	260	162	271

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GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

(5) Acquisitions

Contingent Consideration
Accounting Standards Codification ("ASC") Topic 805 requires that contingent consideration be recognized at fair value on the acquisition date and be re-measured each reporting period with subsequent adjustments recognized in the consolidated statement of operations. We estimate the fair value of contingent consideration liabilities based on financial projections of the acquired companies and estimated probabilities of achievement and discount the liabilities to present value using a weighted-average cost of capital. Contingent consideration is valued using significant inputs that are not observable in the market which are defined as Level 3 inputs pursuant to fair value measurement accounting. We believe our estimates and assumptions are reasonable; however, there is significant judgment involved. At each reporting date, the contingent consideration obligation is revalued to estimated fair value, and changes in fair value subsequent to the acquisitions are reflected in income or expense in the consolidated statements of operations, and could cause a material impact to, and volatility in, our operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria.

Below is a summary of the potential contingent consideration we may be required to pay in connection with completed acquisitions as of September 30, 2015 (dollars in thousands):

	Original range of potential undiscounted	As of September 30, 2015 Maximum contingent consideration due in		
Acquisition:	payments	2015	2016	Total
Effective Companies	$0 - $5,232	—	2,616	2,616

Below is a summary of the changes in the recorded amount of contingent consideration liabilities from December 31, 2014 to September 30, 2015 (dollars in thousands):

Acquisition:	Liability as of December 31, 2014	Additions (Payments)	Change in Fair Value of Contingent Consideration	Foreign Currency Translation	Liability as of September 30, 2015
Effective Companies	$5,083	$(2,609)	$314	$(390)	$2,398

As of September 30, 2015 and December 31, 2014, contingent consideration considered a current liability and included in accounts payable totaled $2.4 million and $2.7 million, respectively. As of September 30, 2015 and December 31, 2014, we also had accrued contingent consideration totaling $0 and $2.4 million, respectively, related to acquisitions which are included in other long-term liabilities on the consolidated balance sheet and represent the portion of contingent consideration estimated to be payable greater than twelve months from the balance sheet date.

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

(6) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill by reportable business segment for the nine months ended September 30, 2015 were as follows (in thousands):

	Learning Solutions	Professional & Technical Services	Sandy	Performance Readiness Solutions	Total
Balance as of December 31, 2014	$53,094	$44,143	$653	$27,867	$125,757
Foreign currency translation	(2,360)	(233)	—	(35)	(2,628)
Balance as of September 30, 2015	$50,734	$43,910	$653	$27,832	$123,129

Intangible Assets Subject to Amortization

Intangible assets with finite lives are subject to amortization over their estimated useful lives. The primary assets included in this category and their respective balances were as follows (in thousands):

September 30, 2015	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$20,380	$(13,916)	$6,464
Intellectual property and other	1,777	(995)	782
	$22,157	$(14,911)	$7,246
December 31, 2014			
Customer relationships	$22,603	$(13,042)	$9,561
Intellectual property and other	2,160	(1,186)	974
	$24,763	$(14,228)	$10,535

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

(7) Stock-Based Compensation

We recognize compensation expense for stock-based compensation awards issued to employees that are expected to vest. Compensation cost is based on the fair value of awards as of the grant date.

The following table summarizes the pre-tax stock-based compensation expense included in reported net income (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Non-qualified stock options	$55	$113	$169	$367
Restricted stock units	658	292	1,747	886
Board of Directors stock grants	68	86	296	245
Total stock-based compensation expense	$781	$491	$2,212	$1,498

Pursuant to our 2011 Stock Incentive Plan (the “2011 Plan”), we may grant awards of non-qualified stock options, incentive stock options, restricted stock, stock units, performance shares, performance units and other incentives payable in cash or in shares of our common stock to officers, employees or members of the Board of Directors. As of September 30, 2015, we had non-qualified stock options and restricted stock units outstanding under these plans as discussed below.

Non-Qualified Stock Options

Summarized information for the Company’s non-qualified stock options is as follows:

Stock Options	Number of options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at December 31, 2014	229,150	$11.54		
Granted	—	—		
Exercised	(41,900)	10.75		
Forfeited	(600)	13.17		
Expired	—	—		
Outstanding at September 30, 2015	186,650	$11.71	1.14	$2,075,000
Exercisable at September 30, 2015	148,750	$10.85	0.97	$1,780,000

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

Restricted Stock Units

In addition to stock options, we issue restricted stock units to key employees and members of the Board of Directors based on meeting certain service goals. The stock units vest to the recipients at various dates, up to five years, based on fulfilling service requirements. We recognize the value of the market price of the underlying stock on the date of grant as compensation expense over the requisite service period. Upon vesting, the stock units are settled in shares of our common stock. Summarized share information for our restricted stock units is as follows:

	Nine Months Ended September 30, 2015	Weighted average grant date fair value
	(In shares)	(In dollars)
Outstanding and unvested, beginning of period	263,084	$25.00
Granted	82,120	36.71
Vested	(40,976)	19.14
Forfeited	(508)	25.30
Outstanding and unvested, end of period	303,720	$28.96

On March 30, 2015, the Compensation Committee approved an incentive program providing for the issuance to certain executives of the Company a combination of performance-based and time-based restricted stock units under the 2011 Plan. Under the program, a target level of equity compensation is set for each officer. The total equity compensation is divided into performance-based and time-based restricted stock units. Under the program, the Compensation Committee sets the performance-based goals within the first 90 days of each year.

On March 30, 2015, the Compensation Committee granted 52,476 performance-based restricted stock units ("PSU's") to certain officers of the Company. Vesting of the PSU's is contingent upon the employee's continued employment and the Company's achievement of certain performance goals during a three-year performance period. The performance goals are established by the Compensation Committee and for the 2015-2017 performance period are based on financial targets, including an average annual return on invested capital (“ROIC”) and average annual growth in earnings before interest, taxes, depreciation and amortization (adjusted to exclude the effect of acquisitions, dispositions, and certain other nonrecurring or extraordinary items) (“Adjusted EBITDA”). We recognize compensation expense, net of estimated forfeitures, for PSU's on a straight-line basis over the performance period based on the probable outcome of achievement of the financial targets. At the end of each reporting period, we estimate the number of PSU's expected to vest, based on the probability and extent to which the performance goals will be met, and take into account these estimates when calculating the expense for the period. If the number of shares expected to be earned changes during the performance period, we will make a cumulative adjustment to compensation expense based on the revised number of shares expected to be earned.

Also on March 30, 2015 in conjunction with the grant of PSU's, the Compensation Committee granted a total of 29,644 time-based restricted stock units to the same officers of the Company. Vesting of the time-based restricted stock units is subject to the employee's continued employment through December 31, 2017.

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

(8) Debt

On September 2, 2014, we entered into a Fourth Amended and Restated Financing and Security Agreement (the “Credit Agreement”). The Credit Agreement provides for a revolving credit facility up to a maximum principal amount of $65 million expiring on October 31, 2018 and for a term loan in the principal amount of $40 million maturing on October 31, 2017 , and is secured by substantially all of our assets.
The maximum interest rate on the Credit Agreement is the daily one-month LIBOR market index rate plus 2.50%. Based on our financial performance, the interest rate can be reduced to a minimum rate of the daily one-month LIBOR market index rate plus 1.25%, with the rate being determined based on our maximum leverage ratio for the preceding four quarters. Each unpaid advance on the revolving loan will bear interest until repaid. The term loan is payable in monthly installments equal to $1.1 million plus applicable interest, beginning on November 1, 2014 and ending on October 31, 2017. We may prepay the term loan or the revolving loan, in whole or in part, at any time without premium or penalty, subject to certain conditions. Amounts repaid or prepaid on the term loan may not be reborrowed. The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our and our subsidiaries’ (subject to certain exceptions) ability to, among other things, grant liens, make investments, incur indebtedness, merge or consolidate, dispose of assets or make acquisitions. We are also required to maintain compliance with a minimum fixed charge coverage ratio and a maximum leverage ratio. We were in compliance with all of the financial covenants under the Credit Agreement as of September 30, 2015. As of September 30, 2015, our total long-term debt outstanding under the term loan was $27.8 million. In addition, there were $32.9 million of borrowings outstanding and $31.5 million of available borrowings under the Credit Agreement. For the nine months ended September 30, 2015, the weighted average interest rate on our borrowings was 2.0%.

(9) Income Taxes

Income tax expense was $7.5 million, or an effective income tax rate of 37.5%, for the nine months ended September 30, 2015 compared to $12.4 million, or an effective income tax rate of 38.6%, for the nine months ended September 30, 2014. The decrease in the effective income tax rate is due to a larger portion of our income being derived from foreign jurisdictions which are taxed at lower rates. Income tax expense for the quarterly periods is based on an estimated annual effective tax rate which includes the U.S. federal, state and local, and non-U.S. statutory rates, permanent differences, and other items that may have an impact on income tax expense.

An uncertain tax position taken or expected to be taken in a tax return is recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Interest and penalties related to income taxes are accounted for as income tax expense. As of September 30, 2015, we had no uncertain tax positions reflected on our consolidated balance sheet. The Company files income tax returns in U.S. federal, state and local jurisdictions, and various non-U.S. jurisdictions, and is subject to audit by tax authorities in those jurisdictions. Tax years 2012 through 2014 remain open to examination by these tax jurisdictions, and earlier years remain open to examination in certain of these jurisdictions which have longer statutes of limitations.

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

(10) Stockholders' Equity

Changes in stockholders' equity during the nine months ended September 30, 2015 were as follows (in thousands):

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock at cost	Accumulated other comprehensive loss	Total stockholders' equity
Balance at December 31, 2014	$171	$104,523	$54,809	$(381)	$ (7,397)	$151,725
Net income	—	—	12,537	—	—	12,537
Foreign currency translation adjustment	—	—	—	—	(3,794)	(3,794)
Repurchases of common stock	—	—	—	(6,594)	—	(6,594)
Stock-based compensation expense	—	2,212	—	—	—	2,212
Issuance of stock for employer contributions to retirement plan	—	681	—	1,359	—	2,040
Net issuances of stock pursuant to stock compensation plans and other	1	(502)	—	612	—	111
Balance at September 30, 2015	$172	$106,914	$67,346	$(5,004)	$ (11,191)	$158,237

Stock Repurchase Program

We have a share repurchase program under which we may repurchase shares of our common stock from time to time in the open market, subject to prevailing business and market conditions and other factors. During the three and nine months ended September 30, 2015, we repurchased approximately 222,000 and 255,000 shares, respectively, of our common stock in the open market for a total cost of approximately $5.5 million and $6.6 million, respectively. As of September 30, 2015, there was approximately $8.4 million available for future repurchases under the buyback program.

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GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

(11) Restructuring

During the third quarter of 2015, we implemented a cost savings initiative to better align costs with revenues and improve our operating margins. The initiatives included a workforce reduction, lease exit costs and other general expense controls. We recorded severance expense of $1.1 million for the three months ended September 30, 2015 which is included in Restructuring charges on the consolidated statements of operations and is expected to be substantially paid by the end of the first quarter of 2016. We also incurred an immaterial amount of lease termination costs during the third quarter of 2015. The total remaining liability under these restructuring activities was $0.8 million as of September 30, 2015 and is included in accounts payable and accrued expenses on the consolidated balance sheet. We expect these restructuring activities to be substantially completed by the end of the first quarter of 2016.

(12) Business Segments

As of September 30, 2015, we operated through four reportable business segments: (i) Learning Solutions, (ii) Professional & Technical Services, (iii) Sandy Training & Marketing, and (iv) Performance Readiness Solutions. Each of our reportable segments represents an operating segment under U.S. GAAP. We are organized by operating groups primarily based upon the markets served by each group and/or the services performed. Each operating group consists of business units which are focused on providing specific products and services to certain classes of customers or within targeted markets. Marketing and communications, accounting, finance, legal, human resources, information systems and other administrative services are organized at the corporate level. Business development and sales resources are aligned with operating groups to support existing customer accounts and new customer development.

Effective January 1, 2015, we realigned our operating groups, centralizing our service offerings to better respond to our customers' global needs, and to improve our internal efficiencies to leverage common technologies and practices across the company. This resulted in changes to our organizational structure to transfer the management responsibility of certain business units between segments, which changed the composition of certain of our operating segments. The changes primarily consisted of: (i) the Energy Services group became part of the Professional & Technical Services segment; (ii) certain business units providing leadership development offerings were transferred from the Learning Solutions segment to the Performance Readiness Solutions segment, (iii) a business unit which predominantly provides content development services to U.S. government and commercial clients transferred from the Professional & Technical Services segment to the Performance Readiness Solutions segment; and (iv) two business units providing engineering and technical services in Europe were transferred from the Learning Solutions segment to the Professional & Technical Services segment. We have reclassified the segment financial information herein for the prior year to reflect these changes and conform to the current year's presentation.

Further information regarding our business segments is discussed below.

Learning Solutions. The Learning Solutions segment delivers training, curriculum design and development, eLearning services, system hosting, training business process outsourcing and consulting services globally. This segment serves large companies in the electronics and semiconductors, healthcare, software, financial services and other industries, as well as government agencies. This segment also provides apprenticeship and vocational skills training for the United Kingdom government. The ability to deliver a wide range of training services on a global basis allows this segment to take over the entire learning function for the client, including their training personnel.

Professional & Technical Services. The Professional & Technical Services segment provides training, consulting, engineering and technical services, including lean consulting, emergency preparedness, safety and regulatory compliance, chemical demilitarization and environmental services primarily to large companies in the manufacturing, steel, pharmaceutical, energy and petrochemical industries; federal and state government agencies; and large government contractors. Our proprietary EtaPRO™ Performance and Condition Monitoring System provides a suite of real-time software solutions for power generation facilities and is installed on power-generating units across the world. In addition to providing custom training solutions, this segment provides web-based training through our GPiLEARN™ portal, which offers a variety of courses to power plant personnel in the U.S. and other countries. This segment also provides services to users of alternative fuels, including designing and constructing liquefied natural gas (LNG), liquid to compressed natural gas (LCNG) and hydrogen fueling stations, as well as supplying equipment.

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2015
(Unaudited)

Sandy Training & Marketing. The Sandy Training & Marketing segment provides custom product sales training and has been a leader in serving manufacturing customers in the U.S. automotive industry for over 30 years. Sandy provides custom product sales training designed to better educate customer salesforces with respect to new vehicle features and designs, in effect rapidly increasing the salesforce knowledge base and enabling them to address detailed customer queries. Furthermore, Sandy helps our clients assess their customer relationship marketing strategy and connect with their customers on a one-to-one basis, including through custom publications. This segment also provides technical training services to automotive manufacturers as well as customers in other industries.

Performance Readiness Solutions. This segment provides performance consulting and technology consulting services, including platform adoption, end-user training, change management, knowledge management, customer product training outsourcing, training content development and sales enablement solutions. This segment also offers organizational performance solutions, including leadership development training and employee engagement tools and services. Industries served include manufacturing, aerospace, healthcare, life sciences, consumer products, financial, telecommunications, services and higher education, as well as government agencies.

We do not allocate the following items to the segments: other income (expense), interest expense, restructuring charges, gain (loss) on change in fair value of contingent consideration and income tax expense. Inter-segment revenue is eliminated in consolidation and is not significant.

The following table sets forth the revenue and operating results attributable to each reportable segment and includes a reconciliation of segment revenue to consolidated revenue and operating results to consolidated income before income tax expense (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue:				
Learning Solutions	$51,879	$49,638	$154,463	$143,578
Professional & Technical Services	30,354	36,138	90,317	118,364
Sandy Training & Marketing	22,115	15,883	62,043	50,364
Performance Readiness Solutions	18,583	22,210	57,026	64,361
	$122,931	$123,869	$363,849	$376,667
Operating income:				
Learning Solutions	$4,815	$3,300	$11,637	$8,049
Professional & Technical Services	2,731	4,426	9,716	16,577
Sandy Training & Marketing	150	1,023	1,481	3,204
Performance Readiness Solutions	420	1,906	887	2,896
Restructuring charges	1,195	—	1,195	—
Gain (loss) on change in fair value of contingent consideration, net	(56)	655	(314)	1,513
Operating income	6,865	11,310	22,212	32,239
Interest expense	340	117	1,011	399
Other income (expense)	(606)	(72)	(1,141)	185

Income before income tax expense	$5,919	$11,121	$20,060	$32,025

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

General Overview

We are a global performance improvement solutions provider of training, e-Learning solutions, management consulting and engineering services that seeks to improve the effectiveness of organizations by providing services and products that are customized to meet the specific needs of clients. Clients include Fortune 500 companies and governmental and other commercial customers in a variety of industries. We believe we are a global leader in performance improvement, with over four decades of experience in providing solutions to optimize workforce performance.

As of September 30, 2015, we operated through four reportable business segments: (i) Learning Solutions, (ii) Professional & Technical Services, (iii) Sandy Training & Marketing, and (iv) Performance Readiness Solutions. Each of our reportable segments represents an operating segment under U.S. GAAP. We are organized by operating group primarily based upon the markets served by each group and/or the services performed. Each operating group consists of business units which are focused on providing specific products and services to certain classes of customers or within targeted markets. Marketing and communications, accounting, finance, legal, human resources, information systems and other administrative services are organized at the corporate level. Business development and sales resources are aligned with operating groups to support existing customer accounts and new customer development.

Effective January 1, 2015, we realigned our operating groups, centralizing our service offerings to better respond to our customers' global needs, and to improve our internal efficiencies to leverage common technologies and practices across the company. This resulted in changes to our organizational structure to transfer the management responsibility of certain business units between segments, which changed the composition of certain of our operating segments. The changes primarily consisted of: (i) the Energy Services group became part of the Professional & Technical Services segment; (ii) certain business units providing leadership development offerings were transferred from the Learning Solutions segment to the Performance Readiness Solutions segment, (iii) a business unit which predominantly provides content development services to U.S. government and commercial clients transferred from the Professional & Technical Services segment to the Performance Readiness Solutions segment; and (iv) two business units providing engineering and technical services in Europe were transferred from the Learning Solutions segment to the Professional & Technical Services segment. We have reclassified the segment financial information herein for the prior year to reflect these changes and conform to the current year's presentation.

Further information regarding our business segments is discussed below.

Learning Solutions. The Learning Solutions segment delivers training, curriculum design and development, eLearning services, system hosting, training business process outsourcing and consulting services globally. This segment serves large companies in the electronics and semiconductors, healthcare, software, financial services and other industries, as well as government agencies. This segment also provides apprenticeship and vocational skills training for the United Kingdom government. The ability to deliver a wide range of training services on a global basis allows this segment to take over the entire learning function for the client, including their training personnel.

Professional & Technical Services. The Professional & Technical Services segment provides training, consulting, engineering and technical services, including lean consulting, emergency preparedness, safety and regulatory compliance, chemical demilitarization and environmental services primarily to large companies in the manufacturing, steel, pharmaceutical, energy and petrochemical industries; federal and state government agencies; and large government contractors. Our proprietary EtaPRO™ Performance and Condition Monitoring System provides a suite of real-time software solutions for power generation facilities and is installed on power-generating units across the world. In addition to providing custom training solutions, this segment provides web-based training through our GPiLEARN™ portal, which offers a variety of courses to power plant personnel in the U.S. and other countries. This segment also provides services to users of alternative fuels, including designing and constructing liquefied natural gas (LNG), liquid to compressed natural gas (LCNG) and hydrogen fueling stations, as well as supplying equipment.

Sandy Training & Marketing. The Sandy Training & Marketing segment provides custom product sales training and has been a leader in serving manufacturing customers in the U.S. automotive industry for over 30 years. Sandy provides custom product sales training designed to better educate customer salesforces with respect to new vehicle features and designs, in effect rapidly increasing the salesforce knowledge base and enabling them to address detailed customer queries. Furthermore, Sandy helps our clients assess their customer relationship marketing strategy and connect with their customers on a one-to-one basis, including through custom publications. This segment also provides technical training services to automotive manufacturers as well as customers in other industries.

Performance Readiness Solutions. This segment provides performance consulting and technology consulting services, including platform adoption, end-user training, change management, knowledge management, customer product training outsourcing, training content development and sales enablement solutions. This segment also offers organizational performance solutions, including leadership development training and employee engagement tools and services. Industries served include manufacturing, aerospace, healthcare, life sciences, consumer products, financial, telecommunications, services and higher education, as well as government agencies.

Operating Highlights

Three Months ended September 30, 2015 Compared to the Three Months ended September 30, 2014

Our revenue decreased $0.9 million or 0.8% and our gross profit decreased $2.1 million or 9.5% during the third quarter of 2015 compared to the third quarter of 2014. The net decline is largely attributable to a $4.5 million revenue decrease due to the completion of alternative fuels projects in 2014 and a $2.8 million revenue decrease due to unfavorable changes in foreign currency exchange rates during the third quarter, partially offset by an increase in global training services. The changes in revenue and gross profit are discussed in further detail below by segment.

Operating income, the components of which are discussed below, decreased $4.4 million or 39.3% to $6.9 million for the third quarter of 2015 compared to $11.3 million for the third quarter of 2014. The net decrease in operating income was primarily due to a $2.1 million decrease in gross profit, a $0.4 million increase in SG&A expenses, and a $0.7 million decrease in the change in fair value of contingent consideration. In addition, we implemented a cost savings initiative in the third quarter of 2015 to better align costs with revenues and improve our operating margins. In connection with this initiative, we incurred $1.2 million of restructuring costs during the three months ended September 30, 2015, primarily consisting of severance expense. We estimate that our cost savings initiative will result in approximately $10 million of net annual cost reductions.

For the three months ended September 30, 2015, we had income before income tax expense of $5.9 million compared to $11.1 million for the three months ended September 30, 2014. Net income was $3.7 million, or $0.22 per diluted share, for the three months ended September 30, 2015, compared to net income of $7.2 million, or $0.37 per diluted share, for the three months ended September 30, 2014. Diluted weighted average shares outstanding were 17.3 million for the three months ended September 30, 2015 compared to 19.4 million for the three months ended September 30, 2014. The decrease in shares outstanding is primarily due to the completion of the modified "Dutch auction" tender offer in October 2014 in which we repurchased 2.1 million shares of our outstanding common stock.

Revenue

(Dollars in thousands)	Three months ended September 30,	
	2015	2014
Learning Solutions	$51,879	$49,638
Professional & Technical Services	30,354	36,138
Sandy Training & Marketing	22,115	15,883
Performance Readiness Solutions	18,583	22,210

	$122,931	$123,869

Learning Solutions revenue increased $2.2 million or 4.5% during the third quarter of 2015 compared to the third quarter of 2014. The increase in revenue is due to the following:

- A $3.5 million net increase in e-Learning content development and training business process outsourcing (BPO) services primarily attributable to a global outsourcing contract with a financial services client; and

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- A $0.8 million increase in UK government funded skills training services.

These revenue increases were offset by a $2.1 million decrease in revenue due to unfavorable changes in foreign currency exchange rates.

Professional & Technical Services revenue decreased $5.8 million or 16.0% during the third quarter of 2015 compared to the third quarter of 2014. The net decrease in revenue is due to the following:

- A $4.5 million decrease due to the completion of LNG projects by our alternative fuels business in 2014;
- A $1.1 million net decrease in our Energy business primarily due to a decline in training services; and
- A $0.7 million decrease in revenue due to unfavorable changes in foreign currency exchange rates.

These decreases were partially offset by a $0.5 million net increase in training and technical services for various clients.

Sandy Training & Marketing revenue increased $6.2 million or 39.2% during the third quarter of 2015 compared to the third quarter of 2014. The net increase is primarily due to an increase in magazine publications revenue due to a new publication contract with an automotive customer which began in the second quarter of 2015.

Performance Readiness Solutions revenue decreased $3.6 million or 16.3% during the third quarter of 2015 compared to the third quarter of 2014. The net decrease is primarily due to a decline in its ERP implementation business due to project completions and a decline in training and consulting services for certain of its existing customers during the third quarter of 2015. If we continue to experience significant declines in this segment in future periods, we could incur goodwill impairment charges in the future.

Gross Profit

(Dollars in thousands)	Three months ended September 30,					
	2015			2014		
		% Revenue			% Revenue	
Learning Solutions	$9,808	18.9	%	$8,384	16.9	%
Professional & Technical Services	5,527	18.2	%	7,384	20.4	%
Sandy Training & Marketing	2,470	11.2	%	2,519	15.9	%
Performance Readiness Solutions	2,564	13.8	%	4,231	19.0	%
	$20,369	16.6	%	$22,518	18.2	%

Learning Solutions gross profit of $9.8 million or 18.9% of revenue for the third quarter of 2015 increased by $1.4 million or 17.0% when compared to gross profit of $8.4 million or 16.9% of revenue for the third quarter of 2014. The increase in gross profit is due to the revenue increases noted above, a reduction in implementation costs incurred on a global outsourcing contract with a financial services client and an increase in gross profit and margin on UK government funded skills training services. These increases were offset by a $0.3 million decrease in gross profit due to unfavorable changes in foreign currency exchange rates.

Professional & Technical Services gross profit of $5.5 million or 18.2% of revenue for the third quarter of 2015 decreased by $1.9 million or 25.1% when compared to gross profit of $7.4 million or 20.4% of revenue for the third quarter of 2014. The decrease in gross profit and margin is primarily due to the LNG revenue decreases noted above and a $0.7 million non-recurring revenue and profit increase in the third quarter of 2014 for a project completion bonus on a government contract.

Sandy Training & Marketing gross profit of $2.5 million or 11.2% of revenue for the third quarter of 2015 was flat when compared to gross profit of $2.5 million or 15.9% of revenue for the third quarter of 2014 due to the revenue increase noted above. Gross profit as a percentage of revenue decreased during the third quarter of 2015 due to an increase in lower margin publication revenue compared to the third quarter of 2014. We anticipate that the gross margins in this segment will continue to be lower in future quarters compared to prior periods due to an increase in lower margin publications revenue that is expected to continue for the remainder of this year.

Performance Readiness Solutions gross profit of $2.6 million or 13.8% of revenue for the third quarter of 2015 decreased by $1.7 million or 39.4% when compared to gross profit of $4.2 million or 19.0% of revenue for the third quarter of 2014. The decrease in gross profit is primarily due to a decrease in revenue on higher margin projects which concluded compared to the other revenue streams in this segment. If we continue to experience significant declines in this segment in future periods, we could incur goodwill impairment charges in the future.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $0.4 million or 3.3% from $11.9 million for the third quarter of 2014 to $12.3 million for the third quarter of 2015. The increase in SG&A expenses is due to a $0.6 million increase in labor and benefits expense due to international expansion during 2014 and a $0.2 million net increase in IT infrastructure and various other expenses, partially offset by a $0.4 million decrease in amortization expense during the three months ended September 30, 2015 compared to the same period in 2014 due to certain intangible assets related to previously completed acquisitions becoming fully amortized.

Restructuring charges

During the third quarter of 2015, we implemented a cost savings initiative to better align costs with revenues and improve our operating margins. The initiatives included a workforce reduction, lease exit costs and other general expense controls. We recorded severance expense of $1.1 million for the three months ended September 30, 2015 which is included in Restructuring charges on the consolidated statements of operations and is expected to be substantially paid by the end of the first quarter of 2016. We also incurred an immaterial amount of lease termination costs during the third quarter of 2015. The total remaining liability under these restructuring activities was $0.8 million as of September 30, 2015 and is included in accounts payable and accrued expenses on the consolidated balance sheet. We expect these restructuring activities to be substantially completed by the end of the first quarter of 2016.

Change in Fair Value of Contingent Consideration

We recognized a net loss on the change in fair value of contingent consideration related to acquisitions of $0.1 million for the three months ended September 30, 2015 compared to a net gain of $0.7 million for the same period in 2014. Changes in the fair value of contingent consideration obligations result from changes in discount periods, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria. See Note 5 to the Condensed Consolidated Financial Statements for further details regarding the potential contingent consideration payments and the changes in fair value of the related liabilities during the three months ended September 30, 2015.

Interest Expense

Interest expense increased $0.2 million from $0.1 million for the third quarter of 2014 to $0.3 million for the third quarter of 2015 primarily due to an increase in borrowings under our Credit Agreement to fund the modified "Dutch auction" tender offer that was completed in October 2014.

Other Income (Expense)

Other expense was $0.6 million for the third quarter of 2015 compared to $0.1 million for the third quarter of 2014 and consisted primarily of income from a joint venture offset by foreign currency losses in both years. During the three months ended September 30, 2015, we had a $0.5 million increase in foreign currency losses compared to the corresponding period in 2014. The foreign currency losses primarily relate to the effect of exchange rates on intercompany receivables and payables and third party receivables and payables that are denominated in currencies other than the functional currency of our legal entities.

Income Tax Expense

Income tax expense was $2.2 million for the third quarter of 2015 compared to $3.9 million for the third quarter of 2014. The effective income tax rate was 37.2% and 34.9% for the three months ended September 30, 2015 and 2014, respectively. During the third quarter of 2014, we recorded an income tax benefit of $0.6 million resulting from a claim for a deduction under Internal Revenue Code Section 199 for the Domestic Production Deduction on our 2013 U.S. federal income tax return which was not taken in previous years. Excluding this adjustment, the effective income tax rate was 40.3% for the three months ended September 30, 2014. The decrease in the effective income tax rate during the third quarter of 2015 is primarily due to an increase in income in jurisdictions with lower tax rates. Income tax expense for the quarterly periods is based on an estimated annual effective tax rate which includes the U.S. federal, state and local, and non-U.S. statutory rates, permanent differences, and other items that may have an impact on income tax expense.

Nine Months ended September 30, 2015 Compared to the Nine Months ended September 30, 2014

Our revenue decreased $12.8 million or 3.4% and our gross profit decreased $6.1 million or 9.2% during the nine months ended September 30, 2015 compared to nine months ended September 30, 2014. The net decline is largely attributable to a $27.3 million revenue decrease due to the completion of alternative fuels projects in 2014 and an $8.5 million revenue decrease due to unfavorable changes in foreign currency exchange rates, partially offset by an increase in global training services. The changes in revenue and gross profit are discussed in further detail below by segment.

Operating income, the components of which are discussed in detail below, decreased $10.0 million or 31.1% to $22.2 million for the nine months ended September 30, 2015 compared to $32.2 million for the same period in 2014. The net decrease in operating income was primarily due to a $6.1 million decrease in gross profit, a $0.9 million increase in SG&A expenses primarily due to increased costs associated with global expansion, and a $1.8 million decrease in the change in fair value of contingent consideration. In addition, we implemented a cost savings initiative in the third quarter of 2015 to better align costs with revenues and improve our operating margins. In connection with this initiative, we incurred $1.2 million of restructuring costs during the three months ended September 30, 2015, primarily consisting of severance expense. We estimate that our cost savings initiative will result in approximately $10 million of annual cost reductions, net of additional investments in global sales initiatives.

For the nine months ended September 30, 2015, we had income before income tax expense of $20.1 million compared to $32.0 million for the nine months ended September 30, 2014. Net income was $12.5 million, or $0.72 per diluted share, for the nine months ended September 30, 2015, compared to net income of $19.7 million, or $1.01 per diluted share, for the nine months ended September 30, 2014. Diluted weighted average shares outstanding were 17.3 million for the nine months ended September 30, 2015 compared to 19.4 million for the nine months ended September 30, 2014. The decrease in shares outstanding is primarily due to the completion of the modified "Dutch auction" tender offer in October 2014 in which we repurchased 2.1 million shares of our outstanding common stock.

Revenue

(Dollars in thousands)	Nine months ended September 30, 2015	2014
Learning Solutions	$154,463	$143,578
Professional & Technical Services	90,317	118,364
Sandy Training & Marketing	62,043	50,364
Performance Readiness Solutions	57,026	64,361
	$363,849	$376,667

Learning Solutions revenue increased $10.9 million or 7.6% during the nine months ended September 30, 2015 compared to the same period in 2014. The increase in revenue is due to the following:

- A $1.9 million increase attributable to the Effective Companies acquisition completed in April 2014;
- A $12.9 million net increase in e-Learning content development and training business process outsourcing (BPO) services primarily attributable to a global outsourcing contract with a financial services client; and
- A $2.4 million increase in UK government funded skills training services.

These revenue increases were offset by a $6.3 million decrease in revenue due to unfavorable changes in exchange rates.

Professional & Technical Services revenue decreased $28.0 million or 23.7% during the nine months ended September 30, 2015 compared to the same period in 2014. The increase in revenue is due to the following:

- A $27.4 million decrease due to the completion of LNG projects by our alternative fuels business in 2014;
- A $2.7 million net decrease in revenue from U.S. government clients due to project completions in 2014; and
- A $1.9 million decrease in revenue due to unfavorable changes in exchange rates.

These decreases were partially offset by a $1.4 million increase in our Energy business due to a non-recurring revenue adjustment in 2014, a $1.3 million net increase in training and technical services for oil and gas clients, and a $1.3 million net increase in training and technical services for various clients.

Sandy Training & Marketing revenue increased $11.7 million or 23.2% during the nine months ended September 30, 2015 compared to the same period in 2014. The net increase is primarily due to an increase in magazine publications revenue due to a new publication contract with an automotive customer which began in the second quarter of 2015.

Performance Readiness Solutions revenue decreased $7.3 million or 11.4% during the nine months ended September 30, 2015 compared to the same period in 2014. The net decrease is primarily due to a decline in its ERP implementation business due to project completions and a decline in training and consulting services for certain of its existing customers during the third quarter of 2015. In addition, unfavorable changes in foreign currency exchange rates resulted in a $0.3 million decrease in revenue during the nine months ended September 30, 2015 compared to the same period in 2014. If we continue to experience significant declines in this segment in future periods, we could incur goodwill impairment charges in the future.

Gross Profit

(Dollars in thousands)	Nine months ended September 30, 2015			2014		
		% Revenue			% Revenue	
Learning Solutions	$26,542	17.2	%	$22,214	15.5	%
Professional & Technical Services	17,769	19.7	%	26,099	22.0	%
Sandy Training & Marketing	7,873	12.7	%	7,727	15.3	%
Performance Readiness Solutions	7,396	13.0	%	9,600	14.9	%
	$59,580	16.4	%	$65,640	17.4	%

Learning Solutions gross profit of $26.5 million or 17.2% of revenue for the nine months ended September 30, 2015 increased by $4.3 million or 19.5% when compared to gross profit of $22.2 million or 15.5% of revenue for the same period in 2014. The increase in gross profit is due to the revenue increases noted above, a reduction in implementation costs incurred on a global outsourcing contract with a financial services client and an increase in gross profit and margin on UK government funded skills training services. These increases were offset by a $1.1 million decrease in gross profit due to unfavorable changes in foreign currency exchange rates.

Professional & Technical Services gross profit of $17.8 million or 19.7% of revenue for the nine months ended September 30, 2015 decreased by $8.3 million or 31.9% when compared to gross profit of $26.1 million or 22.0% of revenue for the same period in 2014. The decrease in gross profit and margin is primarily due to the LNG revenue decreases noted above, as well as a $0.6 million one-time revenue and profit adjustment in the first quarter of 2014 relating to a final contract negotiation and close-out and a $0.7 million non-recurring revenue and profit increase in the third quarter of 2014 for a project completion bonus on a government contract.

Sandy Training and Marketing gross profit of $7.9 million or 12.7% of revenue for the nine months ended September 30, 2015 increased by $0.1 million or 1.9% when compared to gross profit of $7.7 million or 15.3% of revenue for the same period in 2014 due to the revenue increase noted above. Gross profit as a percentage of revenue decreased during the nine months ended September 30, 2015 due to an increase in lower margin publication revenue compared to the same period in 2014. We anticipate that the gross margins in this segment will continue to be lower in future quarters compared to prior periods due to an increase in lower margin publications revenue that is expected to continue for the remainder of this year.

Performance Readiness Solutions gross profit of $7.4 million or 13.0% of revenue for the nine months ended September 30, 2015 decreased by $2.2 million or 23.0% when compared to gross profit of $9.6 million or 14.9% of revenue for the same period in 2014. The decrease in gross profit is primarily due to a decrease in revenue on higher margin projects which concluded compared to the other revenue streams in this segment. If we continue to experience significant declines in this segment in future periods, we could incur goodwill impairment charges in the future.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $0.9 million or 2.7% from $34.9 million for the nine months ended September 30, 2014 to $35.9 million for the same period in 2015. The increase is primarily due to a $1.8 million increase in labor and benefits expense due to international expansion during 2014 and a $0.2 million net increase in IT infrastructure and various other expenses. These increases were offset by a $1.1 million decrease in amortization expense during the nine months ended September 30, 2015 compared to the same period in 2014 due to certain intangible assets related to previously completed acquisitions becoming fully amortized.

Restructuring charges

During the third quarter of 2015, we implemented a cost savings initiative to better align costs with revenues and improve our operating margins. The initiatives included a workforce reduction, lease exit costs and other general expense controls. We recorded severance expense of $1.1 million for the nine months ended September 30, 2015 which is included in Restructuring charges on the consolidated statements of operations and is expected to be substantially paid by the end of the first quarter of 2016. We also incurred an immaterial amount of lease termination costs during the third quarter of 2015. The total remaining liability under these restructuring activities was $0.8 million as of September 30, 2015 and is included in accounts payable and accrued expenses on the consolidated balance sheet. We expect these restructuring activities to be substantially completed by the end of the first quarter of 2016.

Change in Fair Value of Contingent Consideration

We recognized a net loss on the change in fair value of contingent consideration related to acquisitions of $0.3 million for the nine months ended September 30, 2015 compared to a net gain of $1.5 million for the same period in 2014. Changes in the fair value of contingent consideration obligations result from changes in discount periods, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria. See Note 5 to the Condensed Consolidated Financial Statements for further details regarding the potential contingent consideration payments and the changes in fair value of the related liabilities during the nine months ended September 30, 2015.

Interest Expense

Interest expense increased $0.6 million from $0.4 million for the nine months ended September 30, 2014 to $1.0 million for the nine months ended September 30, 2015 primarily due to an increase in borrowings under our Credit Agreement to fund the modified "Dutch auction" tender offer that was completed in October 2014.

Other Income (Expense)

Other expense was $1.1 million for the nine months ended September 30, 2015 compared to other income of $0.2 million for the same period in 2014 and consisted primarily of income from a joint venture offset by foreign currency losses in both years. During the nine months ended September 30, 2015, we had a $1.3 million increase in foreign currency losses compared the corresponding period in 2014. The foreign currency losses primarily relate to the effect of exchange rates on intercompany receivables and payables and third party receivables and payables that are denominated in currencies other than the functional currency of our legal entities.

Income Tax Expense

Income tax expense was $7.5 million for the nine months ended September 30, 2015 compared to $12.4 million for the same period in 2014. The effective income tax rate was 37.5% and 38.6% for the nine months ended

September 30, 2015 and 2014, respectively. During the third quarter of 2014, we recorded an income tax benefit of $0.6 million resulting from a claim for a deduction under Internal Revenue Code Section 199 for the Domestic Production Deduction on our 2013 U.S. federal income tax return which was not taken in previous years. Excluding this and other discrete items, the effective income tax rate was 40.2% for the nine months ended September 30, 2014. The decrease in the effective income tax rate is primarily due to an increase in income in jurisdictions with lower tax rates. Income tax expense for the quarterly periods is based on an estimated annual effective tax rate which includes the U.S. federal, state and local, and non-U.S. statutory rates, permanent differences, and other items that may have an impact on income tax expense.

Liquidity and Capital Resources

Working Capital

For the nine months ended September 30, 2015, our working capital was $45.3 million at September 30, 2015 compared to $43.5 million at December 31, 2014. As of September 30, 2015 we had $32.9 million of short-term borrowings and $27.8 million of long-term debt outstanding. We believe that cash generated from operations and borrowings available under our Credit Agreement ($31.5 million of available borrowings as of September 30, 2015) will be sufficient to fund our working capital and other requirements for at least the next twelve months.

As of September 30, 2015, the amount of cash and cash equivalents held outside of the U.S. by foreign subsidiaries was $13.6 million. At the present time, we do not anticipate repatriating these balances to fund domestic operations. We would be required to accrue for and pay taxes in the U.S. in the event we repatriated these funds.

Stock Repurchase Program

We have a share repurchase program under which we may repurchase shares of our common stock from time to time in the open market, subject to prevailing business and market conditions and other factors. During the three and nine months ended September 30, 2015, we repurchased approximately 222,000 and 255,000 shares, respectively, of our common stock in the open market for a total cost of approximately $5.5 million and $6.6 million, respectively. As of September 30, 2015, there was approximately $8.4 million available for future repurchases under the buyback program.

Acquisition-Related Payments

We may be required to pay the following additional contingent consideration in connection with completed acquisitions (dollars in thousands):

	As of September 30, 2015			Recorded
	Maximum potential contingent consideration due in			Liability as of
Acquisition:	2015	2016	Total	September 30, 2015
Effective Companies	$—	$2,616	$2,616	$2,398

Significant Customers & Concentration of Credit Risk

We have a market concentration of revenue in both the automotive sector and financial services & insurance sector. Revenue from the automotive industry accounted for approximately 18% and 14% of our consolidated revenue for the nine months ended September 30, 2015 and 2014, respectively. In addition, we have a concentration of revenue from a single automotive customer, which accounted for approximately 12% of our consolidated revenue for the nine months ended September 30, 2015. As of September 30, 2015, accounts receivable from a single automotive customer totaled $9.7 million, or 10%, of our consolidated accounts receivable balance. Revenue from the financial services & insurance industry accounted for approximately 21% and 16% of our consolidated revenue for the nine months ended September 30, 2015 and 2014, respectively. Beginning in 2015, we have a concentration of revenue from a single financial services customer, which accounted for approximately 14% of our consolidated revenue for the nine months ended September 30, 2015. As of September 30, 2015, billed and unbilled accounts receivable from a single financial services customer totaled $35.8 million, or 26%, of our consolidated accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts balances. No other single customer accounted for more than 10% of our consolidated revenue for the nine months ended September 30, 2015 and 2014 or consolidated accounts receivable balance as of September 30, 2015.

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Cash Flows

Nine Months ended September 30, 2015 Compared to the Nine Months ended September 30, 2014

Our cash balance decreased $0.9 million from $14.5 million as of December 31, 2014 to $13.6 million as of September 30, 2015. The decrease in cash and cash equivalents during the nine months ended September 30, 2015 resulted from cash provided by operating activities of $9.5 million, cash used in investing activities of $1.7 million, and cash used in financing activities of $8.7 million.

Cash provided by operating activities was $9.5 million for the nine months ended September 30, 2015 compared to $16.7 million for the same period in 2014. The decrease in cash is primarily due to a decrease in net income during the nine months ended September 30, 2015 compared to the same period in 2014.

Cash used in investing activities was $1.7 million for the nine months ended September 30, 2015 compared to $10.7 million for the same period in 2014. The decrease in cash used is due to the completion of the Effective Companies acquisition in April 2014 in which we used $8.7 million of cash.

Cash used in financing activities was $8.7 million for the nine months ended September 30, 2015 compared to $2.5 million for the same period in 2014. The increase in cash used in financing activities is primarily due a $3.5 million increase in share repurchases and a $10.0 million increase in long-term debt repayments offset by a $7.6 million increase in proceeds from short-term borrowings in the nine months ended September 30, 2015 compared to the same period in 2014.

Debt

On September 2, 2014, we entered into a Fourth Amended and Restated Financing and Security Agreement (the “Credit Agreement”). The Credit Agreement provides for a revolving credit facility up to a maximum principal amount of $65 million expiring on October 31, 2018 and for a term loan in the principal amount of $40 million maturing on October 31, 2017, and is secured by substantially all of our assets.

The maximum interest rate on the Credit Agreement is the daily one-month LIBOR market index rate plus 2.50%. Based on our financial performance, the interest rate can be reduced to a minimum rate of the daily one-month LIBOR market index rate plus 1.25%, with the rate being determined based on our maximum leverage ratio for the preceding four quarters. Each unpaid advance on the revolving loan will bear interest until repaid. The term loan is payable in monthly installments equal to $1.1 million plus applicable interest, beginning on November 1, 2014 and ending on October 31, 2017. We may prepay the term loan or the revolving loan, in whole or in part, at any time without premium or penalty, subject to certain conditions. Amounts repaid or prepaid on the term loan may not be reborrowed.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our and our subsidiaries’ (subject to certain exceptions) ability to, among other things, grant liens, make investments, incur indebtedness, merge or consolidate, dispose of assets, make acquisitions. We are also required to maintain compliance with a minimum fixed charge coverage ratio of 2.0 to 1.0 and a maximum leverage ratio of 2.25 to 1.0. As of September 30, 2015, our fixed coverage charge ratio was 2.1 to 1.0 and our leverage ratio was 1.3 to 1.0, all of which were in compliance with the Credit Agreement.

As of September 30, 2015, our total long-term debt outstanding under the term loan was $27.8 million. In addition, there were $32.9 million of borrowings outstanding and $31.5 million of available borrowings under the Credit Agreement. For the nine months ended September 30, 2015, the weighted average interest rate on our borrowings was 2.0%.

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Off-Balance Sheet Commitments

As of September 30, 2015, we did not have any off-balance sheet commitments except for operating leases and letters of credit entered into in the normal course of business.

Accounting Standard Issued

We discuss recently issued accounting standards in Note 2 to the accompanying consolidated financial statements.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward looking statements. Forward–looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We use words such as “expects,” “intends,” “believes,” “may,” “will,” “should,” “could,” “anticipates,” “estimates,” “plans” and simila to indicate forward-looking statements, but their absence does not mean a statement is not forward-looking. Because these forward-looking statements are based upon management’s expectations and assumptions and are subject to risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, but not limited to, those factors set forth in Item 1A - Risk Factors of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and those other risks and uncertainties detailed in our periodic reports and registration statements filed with the Securities and Exchange Commission. We caution that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the effect, if any, of the new risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ from those expressed or implied by these forward-looking statements.

If any one or more of these expectations and assumptions proves incorrect, actual results will likely differ materially from those contemplated by the forward-looking statements. Even if all of the foregoing assumptions and expectations prove correct, actual results may still differ materially from those expressed in the forward-looking statements as a result of factors we may not anticipate or that may be beyond our control. While we cannot assess the future impact that any of these differences could have on our business, financial condition, results of operations and cash flows or the market price of shares of our common stock, the differences could be significant. We do not undertake to update any forward-looking statements made by us, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company has no material changes to the disclosure on this matter made in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain a comprehensive set of disclosure controls and procedures (as defined in Rules 13a-15(e) and under the Securities Exchange Act of 1934 (“Exchange Act”)) designed to provide reasonable assurance that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported accurately and within the time periods specified in the SEC’s rules and forms. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures are effective in providing reasonable assurance of the achievement of the objectives described above.

Internal Control Over Financial Reporting

During the quarter ended September 30, 2015, there was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d—15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

The Company has no material changes to the disclosure on this matter made in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about the Company's share repurchase activity for the three months ended September 30, 2015:

Month	Issuer Purchases of Equity Securities				
	Total number of shares purchased		Average price paid per share	Total number of shares purchased as part of publicly announced program	Approximate dollar value of shares that may yet be purchased under the program (1)
July 1 - 31, 2015	—		$—	—	$13,899,000
August 1 - 31, 2015	182,287	(2)	$25.05	165,865	$9,740,000
September 1 - 30, 2015	56,109	(2)	$23.84	55,803	$8,406,000

(1) We have a share repurchase program under which we may repurchase shares of our common stock from time to time in the open market subject to prevailing business and market conditions and other factors. There is no expiration date for the repurchase program. In February 2015, the Company's Board of Directors authorized an increase to the share repurchase program of $15 million, replacing the existing authorization.

(2) Includes shares surrendered by employees to satisfy minimum tax withholding obligations on restricted stock units which vested and shares surrendered to exercise stock options and satisfy the related minimum tax withholding obligations during the third quarter of 2015.

Item 6. Exhibits

10.1	First Amendment, dated September 28, 2015, to Fourth Amended and Restated Financing and Security Agreement, dated September 2, 2014, by and between GP Strategies Corporation as Borrower and Wells Fargo Bank, National Association, as Lender.*
31.1	Certification of Chief Executive Officer of the Company dated October 29, 2015 pursuant to Securities and Exchange Act Rule 13d-14(a)/15(d-14(a), as adopted pursuant to Section 302 and 404 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Executive Vice President and Chief Financial Officer of the Company dated October 29, 2015 pursuant to Securities and Exchange Act Rule 13d-14(a)/15(d-14(a), as adopted pursuant to Section 302 and 404 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer and Chief Financial Officer of the Company dated October 29, 2015 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following materials from GP Strategies Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Cash Flows; and (v) Notes to Condensed Consolidated Financial Statements.*

*Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	GP STRATEGIES CORPORATION
October 29, 2015	/s/ Scott N. Greenberg Scott N. Greenberg Chief Executive Officer
October 29, 2015	/s/ Sharon Esposito-Mayer Sharon Esposito-Mayer Executive Vice President and Chief Financial Officer

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